

# Report

# 16

Report to:	<b>Finance and Information Technology Resources Committee</b>
Date of Meeting:	<b>13 September 2011</b>
Report by:	<b>Chief Executive</b>

Subject:	<b>Former Council House Buildings Insurance Contract - Tender Exercise 2011/2012</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise on the award of the Owner Occupiers Buildings Insurance contract to the successful tenderer.

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the two year extension to the Tenants' Contents Insurance contract be noted
- (2) that the action taken, in terms of Paragraph 20.2 of the Standing Orders on Contracts, by the Chief Executive, in consultation with the Chair and an ex officio member, to award the Owner Occupiers' Buildings Insurance contract to Royal and Sun Alliance (RSA) for a three year period commencing 1 October 2011, with the option to extend for a further two years, be noted.

## 3. Background

3.1. The current contract for buildings insurance for former Council houses is with RSA. The three year contract commenced on 1 October 2008 and expires on 30 September 2011.

3.2. A Tenants' Contents Insurance policy is also in place with RSA, which is due to expire on 30 September 2011. Renewal terms received for this contract were favourable, therefore a two year extension was authorised.

## 4. Tender Process 2011

4.1. In June 2011, an approach was made to the market to seek competitive quotes for the provision of buildings insurance for owners of former Council houses in South Lanarkshire. This decision was taken to safeguard policy holders' interests and to ensure any increase in premiums was justified by testing the market.

## 5. Tender Evaluations

5.1. The tender was evaluated jointly by the Council's Risk Management team and the Council's insurance broker, Willis Ltd.

- 5.2. Following evaluation of the tender responses, Committee is asked to note that a decision was taken by the Chair and an ex officio member to award the Buildings Insurance contract to RSA for a three year period commencing 1 October 2011, with the option to extend for a further two years.

## **6. Employee Implications**

- 6.1. The contract will be managed by Housing and Technical Resources.

## **7. Financial implications**

- 7.1. The total value of the premiums paid is variable, depending on the number of owners in the scheme. There will be an increase in current premiums paid by home owners. The percentage increase for standard cover is 37 per cent and for accidental damage cover is 36 per cent.
- 7.2. Further to the above, the insurer has recommended a 5.4 per cent index linked increase to the rebuild value of properties from 1 October 2011. This is to ensure the sums insured by policy holders are adequate.
- 7.3. The average annual premium paid by policyholders is currently approximately £120. This will increase to approximately £170 from 1 October 2011.
- 7.4. The Council receives a fee for the administration of this scheme based on a percentage of the premium. The percentage administration fee due to the Council has been reduced to mitigate against the increase in premium costs. If current numbers remain in the scheme, the value of administration fee under the current contract will be maintained.

## **8. Other Implications**

- 8.1. There are benefits to both the Council and citizens in the procurement of this type of insurance cover. The main advantage can be discounted rates for policyholders through economies of scale. The scheme also means the Council's interest in adjoining Council owned properties is protected.
- 8.2. There are no implications for sustainability in terms of the information contained in this report.

## **9. Equality Impact Assessment and Consultation Arrangements**

- 9.1. There is no requirement to carry out an impact assessment in terms of the proposals contained within this report, but company approaches to equalities were taken into account as part of the tender evaluation.
- 9.2. Consultation has taken place with Housing and Technical Resources.

**Archibald Strang**  
**Chief Executive**

8 August 2011

## **Link(s) to Council Values/Improvement Themes/Objectives**

- ◆ Efficient and effective use of Resources

## **Previous References**

- ◆ None

## **List of Background Papers**

- ◆ None

## **Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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